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FISCAL IMPACT STATEMENT

LS 6580

BILL NUMBER: HB 1472

NOTE PREPARED: Dec 10, 2002

BILL AMENDED:

SUBJECT: Textbook funding.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides an annual state textbook grant to school corporations of \$85 per ADM for providing textbooks to students. It abolishes the textbook rental program and the school textbook library program. The bill redefines "textbook" to include instructional materials currently eligible for state reimbursement under the textbook assistance program for students from low income families. It also requires a school corporation to establish and appropriate money from a textbook fund to acquire textbooks to loan to all students without charge. The bill makes conforming changes and includes transitional provisions.

Effective Date: June 30, 2003; July 1, 2003.

Explanation of State Expenditures: *Textbook Grants-*. School corporations would be eligible for a state grant per ADM of **\$85**. The projected costs of these grants would be approximately \$41.2 M in CY 2003, \$82.8 M in CY 2004, and \$81.9 M in CY 2005. The state fiscal impact would be \$82.6 for FY 2004 and \$83.4 M for FY 2005. The grant would be part of the school tuition support formula. If the textbook grant is part of the school formula, since nonpublic accredited schools do not receive a tuition support distribution, then some appropriation would still be needed to cover the cost. The amount of textbook reimbursement for nonpublic schools was \$201,147 for FY 2002. The appropriation to the Textbook Reimbursement Account for FY 2003 is \$19.9 M.

Elimination of Textbook Reimbursement- Background: The School Textbook Reimbursement Contingency Fund provides school corporations and accredited nonpublic schools reimbursement from the Department of Education for a portion of the costs incurred during a school year in providing classroom instruction to children who meet the federal free and reduced lunch standards. Previous to 1999-2000 the program only

provided assistance on behalf of students meeting free lunch standards.

State Share: School corporations and accredited nonpublic schools can receive 20% of the cost of textbooks as listed on the state adoption list and 100% of the cost of workbooks that accompany adopted textbooks. Reimbursement is also made at 100% for consumable textbooks which are state-adopted. The cost of textbooks used in gifted and talented education and special education is reimbursed based on amortization of the book over the years it is to be used. Lastly, developmentally appropriate instruction material for Grades K-3, laboratories, and children's literature programs are reimbursed at 100%.

Local Share: The school corporation shall pay the balance after state reimbursement for school books, supplies, and other required class fees for students who qualify under the federal free and reduced lunch provisions. The nonpublic school has no legal responsibility for paying the balance.

Requirements for Participation: The school corporation or accredited nonpublic school must file a claim with the Department of Education before November 1 of the current school year. The claim must include the number of eligible students and the associated costs for textbooks, consumable textbooks, and workbooks. The claim must have included with it copies of all filed and approved applications for free and reduced lunch recipients. The approved applications must include data required by the Family and Social Services Administration (FSSA) with regard to Temporary Assistance to Needy Families to be considered by the Department of Education for reimbursement under this program.

Extent of Participation: In 2000-2001, 293 corporations and 149 nonpublic accredited schools participated.

Distribution: Funds are distributed in April of each school year. In the event there are funds available, a second distribution based on supplemental claims may be made later in the spring. If the amount of reimbursement requested exceeds the amount appropriated, the Department of Education shall proportionately reduce the amount of reimbursement to each school corporation and nonpublic school.

Potential Impact on the TANF Block Grant Program- The elimination of the Textbook Rental Program may impact the Temporary Assistance for Needy Families (TANF) program. The state is required to meet a specified maintenance of effort (MOE) level in order to qualify for the federal TANF block grant of about \$206 M annually. Indiana's annual TANF MOE obligation is **\$121 M**. FSSA meets this obligation by expending state funds appropriated for this purpose and by claiming expenditures from other state agencies that meet the purposes and requirements of eligible TANF MOE expenditures.

FSSA has been able to include as MOE about \$9.8 M of the state expenditure for textbooks described above because it is an expenditure targeted at the low-income population. However, because the proposed textbook grant program is targeted at the general student population, the state expenditure will not qualify as an MOE expenditure, thus requiring either additional expenditures in another program or reclassification of existing, but unidentified, expenditures as MOE. (The reclassified funds, if qualifying, must also demonstrate an increase in expenditures from the TANF base year. Only the increase in funds can be included as meeting the TANF MOE requirement. This is the reason FSSA cannot count the entire \$19.9 M textbook expenditure described above as MOE.) Actual aggregate MOE expenditures for FY 1998 through FY 2001 and the proposed MOE expenditures in FY 2002 totaled \$121 M annually - the level of Indiana's MOE obligation.

Poor Relief/Reduction of PTRC- The state pays 20% Property Tax Replacement Credit (PTRC) on poor relief levies attributable to real property and non-business personal property. The reduction in the poor relief levy will result in a projected savings to the state paid by PTRC of about \$56,700 for FY 2004 (20% of the

qualifying portion of \$350,000, or 16.2% of the total). PTRC is paid from the Property Tax Replacement Fund which is supplemented by the state General Fund. Therefore, any reduction in PTRC actually reduces expenditures from the state General Fund.

The following table illustrates the potential net cost to the state regarding the provisions of this bill assuming projected levels of PTRC and textbook appropriations that continue beyond the biennium at the FY 2001 level.

<u>FY</u>	<u>Textbook Grants</u>	<u>Elimination of State Appropriation for Textbooks</u>	<u>Less: Reduction in PTRC</u>	<u>Net Cost*</u>
2004	\$82.6 M	(\$19.9M)	(\$0.06 M)	\$62.64 M
2005	\$83.4 M	(\$19.9 M)	(\$0.06 M)	\$63.44 M

*As described above in the TANF section, the net cost to the state described in the table could increase by up to \$9.8 M per fiscal year if additional expenditures in another program are required. However, reclassification of existing, but unidentified, expenditures could mitigate the net increase.

Explanation of State Revenues:

Explanation of Local Expenditures: School corporations may have additional funds to spend if revenue from these state grants exceeds the current funding sources as explained below.

This bill would require that school corporations pay for textbooks regardless of whether a state appropriation is made.

Explanation of Local Revenues: School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the Federal Free and Reduced Lunch Program, and financial assistance from township trustees. As proposed by this bill, school corporations would be eligible to use the state grant of \$85 per ADM instead of the above sources. For the 2002 school year, schools collected revenue of \$53.8 M in textbook rental and \$33.1 M in instruction fees from students

State Agencies Affected: Department of Education, State Board of Tax Commissioners.

Local Agencies Affected: School corporations.

Information Sources: Department of Education ORACLE Data Tables.

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